



December 20, 2009

Dear Federal Reserve Chairman Bernanke:

I am writing in response to Regulation Z – Truth In Lending – Closed-end Mortgages [R-1366]. As co-owner of a small, family owned mortgage business, I agree that consumers need the proper tools to determine that a particular mortgage loan is appropriate for their circumstances. As a loan officer, I believe that it is my responsibility to ensure the consumer understands the key terms of the mortgage, whether the mortgage product is a fixed-rate mortgage or an adjustable-rate mortgage, including risky features such as adjustable rates, prepayment penalties, and negative amortization. However, I respectfully disagree with the notion that loan officers' compensation be based on a "flat fee".

I have 23 years of experience as a loan originator. As a mortgage broker I have the ability to shop for the best product and price for my client. Without this ability, borrowers would be forced to apply separately with each bank, which is an unnecessary waste of time and energy for both the consumer and the bank. My services go well beyond that of order taker. I am underwriting the file and providing comprehensive financial review to determine qualification as well as working with the client to select a mortgage that meets their needs in the future. My guidance is critical for my realtor referral partners as they rely on my expertise to submit and accept offers. Frequently I work with clients for several years before they successfully purchase property.

Borrowers receive initial disclosures which allow them to compare the rate and costs of the loan that they are getting. My customers comparison shop. That is what being an American is about. As consumers, we have the right to choose. As a small business owner, I need to charge what is fair for my services. I do not overcharge my clients as they are disclosed upfront and still come to me for my services. A flat fee concept is absolutely wrong. It is very difficult for me to imagine that my own government would be considering limiting and determining what is fair compensation. We are working extremely hard and long hours to make certain that our clients are well qualified. Consumers are aware that I am paid for my services and choose to work with me as the mortgage professional to assist them to homeownership.

The United States benefits from entrepreneurship in the form of wealth and job creation. The U.S. Government runs the risk of imposing harm when it regulates the compensation of entrepreneurs and small business owners. If R-1366 is allowed, what is to prohibit government from limiting compensation to entrepreneurs and small business owners in other industries? Taken one step further, can you imagine the implications of government-limited compensation in the private-sector fields of health care, law, financial services, insurance, real estate, etc? I am quite certain that the American Medical Association, State BAR's, Supreme Courts, National Association of Realtors, et al would take issue with this notion of compensation via flat fee.



President Obama just hosted small business owners in an effort to show support of entrepreneurs. He recognizes that job creation will come from these small business owners. This proposal is contrary to that philosophy. We need to stimulate job growth as well as have recovery in the housing market. Mortgage brokers are valuable in both of those efforts. We provide a valuable service to prospective homebuyers. We also are employers.

I know that many hard-working professionals in the mortgage industry have provided comments during this open commentary period. With this in mind, I will not rehash the concerns my peers have expressed except to say that their concerns are warranted. What is interesting to note about R-1366 is that banks are exempt from this new law.

Federal Reserve Chairman Bernanke: Does this not conflict with the Federal Reserves Duty?

Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system, and protect the credit rights of consumers.

Why are banks exempt from R-1366 when it is clearly the responsibility of the Federal Reserve to supervise and regulate banks and protect credit rights of consumers?

Are you aware that a bank loan officer is not required to (nor do they) disclose their compensation to the borrower?

Are you aware that a bank loan officer's compensation is not capped or limited to a percentage or dollar amount?

Are you aware that a mortgage broker must disclose compensation to the borrower and that a mortgage broker's compensation is capped or limited to a percentage or dollar amount?

Given this information, do you believe that Regulation Z – Truth In Lending – Closed-end Mortgages [R-1366] is fair and that all loan originators, entrepreneurs and bank employees alike, are conducting business on a level playing field?

As an entrepreneur / small business owner, it will come as no surprise that my company has yet to receive aid in the form of TARP. However, my competitors (e.g., banks) received TARP money to remain solvent while operating in a regulatory environment that allows them to avoid disclosing loan officer compensation. In Business School, this is referred to as a competitive disadvantage. On Main Street, this is referred to as a serious threat to mortgage-industry entrepreneurs. Further, if these mortgage-industry entrepreneurs fail to weather the storm that is R-1366, the resulting job loss and trickle down affects on related service providers (real estate companies, escrow companies, title companies, etc.) will be severe. According to industry experts, there are approximately 150,000 active mortgage brokers / entrepreneurs in the United States in 2009. Add to that the mortgage broker / entrepreneurs employees, escrow company employees, and title company employees and the resulting job loss could total close to 500,000 jobs.



It is very important that you understand how valuable YSP is to the consumer. For clients that wish to keep their expenses low, it is critical to have YSP to offset costs. Clients have a choice of paying an origination fee to obtain a lower rate or pricing their mortgage at a higher rate and eliminating expenses such as the origination fee and other closing costs. The rebate is often used to offset origination fee. This is disclosed upfront to the borrower and absolutely necessary to remain competitive. Banks offer no-point loans to their customers. The only way that brokers are able to compete and offer no- point loans would be through YSP. Disallowing this only reduces competition and forces brokers out of business.

Even more importantly, from the consumer's perspective, failure of the mortgage-industry entrepreneur results in fewer mortgage-market participants which results in fewer choices and increased costs for borrowers. With this in mind, I urge you to reconsider the implementation of Regulation Z – Truth In Lending – Closed-end Mortgages [R-1366]. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, reading "Linda Wilcox". The signature is fluid and cursive, with a large initial "L" and "W".

Linda Wilcox
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